

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-07
NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 AGRE-00 /115 W
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R 220421Z DEC 76
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 9543
INFO AMCONSUL BRISBANE
USDEL MTN GENEVA
AMEMBASSY LONDON
AMCONSUL MELBOURNE
USMISSION OECD PARIS
AMCONSUL PERTH
AMCONSUL SYDNEY
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON

UNCLAS CANBERRA 9177

SYDNEY ALSO PASS TRADE CENTER

E.O. 11652: N/A
TAGS: EGEN, EFIN, EALR, ALOW, AS
SUBJ: AUSTRALIAN DOLLAR CONTINUES TO RISE AND SRD RATIO
INCREASED

REF: (A) CANBERRA 9141; (B) CANBERRA 9128; (C) CANBERRA 9124

1. FOLLOWING IMMEDIATELY ON THE HEELS OF THE REVALUATION OF
THE AUSTRALIAN DOLLAR ON DECEMBER 20 (CANBERRA 9128); TREASURY
OFFICIALS HAVE CONFIRMED THE FOLLOWING SCENARIO OF FURTHER
REVALUATION: DECEMBER 21, REVALUATION AGAINST THE "BASKET"
OF CURRENCIES OF 0.23 PERCENT, NET DEVALUATION SINCE NOVEMBER 28,
13.76 PERCENT; DECEMBER 22, REVALUATION AGAINST THE "BASKET" OF
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CURRENCIES OF 0.5 PERCENT, NET DEVALUATION SINCE NOVEMBER 28,
13.25 PERCENT.

2. IN TERMS OF US DOLLARS, AT 1.0668 ON DECEMBER 21 AS AGAINST
1.0615 ON DECEMBER 20, AUSTRALIAN DOLLAR REVALUED 0.50
PERCENT ON DECEMBER 21. ON DECEMBER 22 US DOLLAR STANDS AT

1.0718 AND REVALUATION OVER PREVIOUS DAY WAS 0.47 PERCENT.
NET DEVALUATION IN US DOLLAR TERMS SINCE NOVEMBER 28 WAS
13.47 PERCENT ON DECEMBER 21 AND 13.07 PERCENT ON DECEMBER 22.

3. ON DECEMBER 21, RESERVE BANK ALSO ANNOUNCED THAT STATUTORY
RESERVE DEPOSIT (SRD) RATIO WOULD BE INCREASED BY ONE PERCENT
TO 7 PERCENT EFFECTIVE DECEMBER 30. IT IS EXPECTED THAT ACTION
WILL FREEZE ADDITIONAL AUST DOLLAR 170 MILLION IN TRADING BANKS
AND IS CLEARLY DESIGNED HELP SOAK UP EXCESS LIQUIDITY
CREATED BY LARGE CAPITAL INFLOWS SINCE DEVALUATION. RESERVE
BANK DISCLOSED ON DECEMBER 21 THAT TRADING BANK LIQUIDITY HAD
RISEN BY ABOUT AUST DOLLAR 200 MILLION SINCE DEVALUATION. IT IS
WIDELY EXPECTED THAT ACTIONS VIS-A-VIS BANKS WILL BE FOLLOWED
BY NEW DIRECTIVES TO BUILDING SOCIETIES AND FINANCE COMPANIES.
INDEED, TREASURER LYNCH SAID LAST WEEK THAT IT WAS "TOTALLY
INAPPROPRIATE TO BEAR DOWN HEAVILY ON THE BANKS WHILE BEING
PERMISSIVE TO OTHER FORMS OF FINANCE."

4. ACTION OF DECEMBER 21 BROUGHT FORTH STREAM OF CRITICISM
OVER GOVERNMENT ACTIONS AND A RENEWED CALL FOR CLARIFICATION OF
ITS EXCHANGE RATE POLICY. A SPOKESMAN FOR THE ASSOCIATED
CHAMBERS OF MANUFACTURERS SAID THAT, "WITH THIS SORT OF SYSTEM
WE CAN'T BE SURE OF WHAT'S GOING ON. NOBODY CAN CALCULATE
WHAT THEIR ORDERS FROM OVERSEAS ARE GOING TO BE WORTH OR HOW
MUCH THEY ARE GOING TO HAVE TO PAY FOR IMPORTED RAW
MATERIALS." UNNAMED MINING COMPANY OFFICIALS ARE REPORTED
TO HAVE STATED THAT UNLESS THE AUST DOLLAR VALUE STABILIZED
RAPIDLY, THE RENEWAL OF EXPORT CONTRACTS WOULD BE BADLY
AFFECTED.

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